

RESCAP

LIQUIDATING TRUST

August 17, 2016

Dear Beneficiaries:

We are continuing our mission to focus on maximizing returns to beneficiaries by evolving into a litigation-centric organization to drive prosecution of our affirmative actions, while also managing the timely and efficient winddown of the remaining Trust assets and activities.

Highlights of the Trust's activities in the second quarter of 2016 include:

Correspondent Lender Litigation

As of the date of issue of this letter, the Trust is litigating 43 cases against correspondent lenders of Residential Funding Company LLC, for indemnity and breach of contract, which are pending in federal District Court in Minnesota, Minnesota State Court and federal Bankruptcy Court for the Southern District of New York. We are continuing the court ordered mediations of the cases that are pending in federal District Court in Minnesota. These mediations began in May 2016 and are expected to continue through mid October 2016. During Q2 2016, the Trust settled 12 actions against correspondent lenders for a total of \$115.5 million. Settling defendants include Americash, Broadview Mortgage Corp., Circle Mortgage Corp., CMG Mortgage Inc., DB Structured Products Inc., on behalf of itself and as successor to MortgageIT Inc., First Equity Mortgage Bankers Inc., Fremont Bank, Gateway Bank F.S.B., Guidance Residential LLC, Mortgage Network Inc., The Mortgage Outlet Inc., and Wallick & Volk. Since the beginning of the third quarter, the Trust settled four additional cases. Settling defendants are Cherry Creek Mortgage Co, Inc., Golden Empire Mortgage Inc, National Bank of Kansas City and Rescue Mortgage Inc., for a total of \$13.4 million.

The Trust continues to engage in pre-trial discovery, including document and data production, re-underwriting and other pre-trial investigation and preparation work, in the pending correspondent lender cases.

Assets

The Trust entered into a Servicing Agreement with LoanCare, LLC and will be transferring the servicing of the Trust's mortgage assets from Ocwen Loan Servicing in Q4 2016. The Trust believes the transfer will provide benefits to the efficient and expedient resolution of assets through various programs in which LoanCare participates such as HUD's Single Family Loan Sale (SFLS) or HUD's Claims without Conveyance of Title (CWCOT).

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LIQUIDATING TRUST

HUD Claim

The Trust continues to finalize resolution with the United States Department of Housing and Urban Development (“HUD”) to resolve HUD’s proof of claim within the Disputed Claim Reserve. HUD has lifted the previously reported suspension of payments on insurance claims submitted by the Trusts’ FHA Trustee, Bank of New York Mellon Trust, which holds legal title to the underlying FHA insured loans.

Other Claims

We continue to make progress resolving complex claims that have been reserved for in the Disputed Claims Reserve, reducing the number of active claims by 18 in the second quarter, from 69 to 51. We are in the process of reconciling the remaining claims and have been in contact with all of the claimants to work toward a final resolution. Administrative Priority, Secured, and Convenience claims decreased in the second quarter from 7 to 1. The adversary matter with Ocwen was fully settled during the quarter, resolving all Ocwen claims for a cash release from restricted escrow funds of \$18.2 million, and a net liability reduction of \$30.9 million.

Regulatory

The Trust, as successor to the Debtors in the Bankruptcy case, together with other large mortgage servicers, is party to a settlement with the Department of Justice (“DOJ”) which requires a review of mortgage loans for potential violations under the Servicemembers Civil Relief Act (“SCRA”). Rust Consulting serves as settlement administrator on behalf of the Trust and PricewaterhouseCoopers (“PwC”) is the Consultant performing the loan reviews.

The Trust expects to complete and submit final results to the DOJ in Q3 2016. With the expected approval from the DOJ to proceed, we will work with Rust Consulting to begin the final phase of the remediation activity which, based upon DOJ requirements, we anticipate will take approximately two years to complete.

State Income Taxes

In July 2016, the Trust announced that it had recently completed filing income tax returns for the calendar year 2015 in those states in which the Trust determined that it had a filing obligation. Information about the Trust’s 2015 state income tax filings and state specific 2015 income tax information for Beneficiaries has been posted to the Trust website.

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Administrative Expenses Set Aside

The Administrative Expenses Set Aside holds cash and other assets, for the payment of Trust operating expenses. As of June 30, 2016, the Administrative Expenses Set Aside of \$211.4 million consisted of \$50.5 million in cash and \$160.9 million in pledged proceeds from future asset sales and/or recoveries.

Activity related to the Administrative Expenses Set Aside is as follows (in \$000's):

	Quarter ended June 30, 2016
Balance, March 31, 2016	\$ 200,653
Additions - cash	53
Additions - pledged proceeds from future asset sales and/or recoveries	10,733
Withdrawals - cash	-
Balance, June 30, 2016	<u>\$ 211,439</u>

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At this time, the Board has determined that we would not make any distribution to our Beneficiaries during Q3 2016. In accordance with the Liquidating Trust Agreement, we will review this again after Q3 2016.

The Trust's quarterly financial report as of and for the period ended June 30, 2016, has been posted on our website at <http://rescapliquidatingtrust.com/financialtaxinformation.aspx>.

The Board and management of the Trust continue to to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



John S. Dubel
Liquidating Trust Manager